

September 27, 2011

Clerk of the Board  
Air Resources Board  
1001 I Street  
Sacramento, CA 95814

**RE: Renewable Energy Markets Association Comments on the Proposed California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms Regulation, Article 5**

Dear Chairman Nichols and Members of the Board:

The Renewable Energy Markets Association (REMA) appreciates the opportunity to again provide comments on the California Air Resources Board's (ARB) revised Proposed Regulatory Order, released September 12, 2011.

REMA represents the collective interests of both for-profit and nonprofit organizations that sell or promote renewable energy products through voluntary markets, including renewable technology, renewable electricity, and renewable energy certificates (RECs), to individuals, companies and institutions throughout North America.

REMA reiterates its support for ARB's continuing pursuit of a climate program that encourages meaningful GHG reductions through market-based compliance and voluntary actions. As stated in REMA's previous statements to ARB (including the previous submission on August 11<sup>th</sup>, 2011), the voluntary renewable energy markets can play a role in increasing renewable energy generation capacity that promotes GHG reductions, as long as the correct policy mechanism is in place.

The successive revisions to Article 5 have significantly improved the mechanism to incorporate meaningful voluntary purchases of renewable energy in an otherwise mandated system. REMA welcomes the new language detailing the Voluntary Renewable Energy (VRE) Reserve Account (formerly known as the "Set-Aside"). Noteworthy improvements to this voluntary mechanism include:

- Broader use of tracking systems for efficient renewable energy retirement
- Clarified program definitions that match industry standards
- Improved online date for renewable energy generation
- Aggregation revisions that allow smaller renewable energy systems considerations
- VRE liability only for VRE participants

However, the opportunity for additional improvements to the Reserve Account remains. These recommendations (noted below) would enable a fully functioning, efficient, and credible voluntary market presence in the overall cap and trade regulation.

**REMA VRE Reserve Account Recommendations**

- I. Clarified language on potential scenarios for over and under subscription of the VRE Reserve Account.**

- II. **Revised “First Deliverers” provision that emphasizes allowance ownership in place of outright retirement for VRE Reserve Account compliance.**
  
- III. **Incorporation of a 15-year rolling window for VRE Reserve Account-eligible renewable energy generators**

***I. Clarified language on potential scenarios for over and under subscription of the VRE Reserve Account***

In numerous past submissions to ARB, REMA has encouraged ARB to avoid placing a cap on the total allowances for the VRE Reserve Account. Such an inflexible cap would place an artificial ceiling on the growth of the voluntary market for renewable energy, while an annual adjustment would provide flexibility and encourage additional demand for VRE purchases. However, should ARB decide to maintain its proposed VRE allowance cap, REMA strongly recommends clarifying language in § 95870(C) (“Disposition of Allowances”) that describes VRE allocations for under and over subscription scenarios outlined below.

***I.i. In the case of VRE Reserve Account under subscription, remaining allowances should be rolled into future compliance years to provide for future market growth***

REMA recommends that ARB include language in § 95870(C) that clearly outlines the allocation process in the case that the VRE Reserve Account is under-subscribed. In this scenario, unused allowances would be rolled-over into future compliance years to account for years when the VRE allowance supply exceeds demand. This, at the very least, will create a slim buffer to allow for VRE market growth in the succeeding program years. Under no situation should allowances designated for the Reserve Account be released into the general pool for compliance purposes; to increase its contribution to deployment of clean, renewable energy, the voluntary markets requires certainty in allowance allocations.

This rollover of allowances into future years would strike a compromise between the competing policy cap vs. no cap VRE options. A periodic review and adjustment prior to the start of each compliance period would improve the oversight of the program; several Regional Greenhouse Gas Initiative (RGGI) states have adopted a similar provision.

***I.ii. When the VRE Reserve Account is over-subscribed, allowances should be retired on a pro-rated per-MWh basis***

REMA proposes that ARB provide clarifying language in § 95870(C) for the potential scenario of VRE Reserve Account over-subscription. As originally created, the Reserve Account provides voluntary renewable energy purchasers a meaningful participation the state’s cap and trade program. Should voluntary purchases exceed the allowance allocations in any of the compliance years, REMA recommends that allowances be divided and retired equally among all qualifying renewable energy, such that each MWh receives the same carbon value. In lieu of a flexible program cap, this revised provision would complement the recommended alteration for under-subscription noted above.

***II. Revised “First Deliverers” provision that emphasizes allowance ownership in place of outright retirement for VRE Reserve Account compliance***

First, REMA commends ARB for its improvements on the “First Deliverers” regulatory language outlined in § 95852(b)(3). Program revisions to date have greatly increased the program’s integrity of emissions

reductions and environmental claims from renewable generation sources. REMA requests that ARB provide clarity within § 95852(b)(3)(D), specifically on reference made to the Mandatory Reporting of Greenhouse Gas Emissions (MRR). The existing language states that “If RECs were created for the electricity generated and reported pursuant to MRR, then the RECs must be retired and verified pursuant to MRR.” However, guidance on REC treatment in the referenced MRR § 95111 is unclear. This could be result of placeholder text for future development of the VRE Reserve Account or a general omission. In either case, corresponding MRR language describing the REC retirement process would aid the program’s functionality and prevent participant confusion.

Additionally, REMA stresses that ARB consider the distinction of REC ownership and REC retirement for purposes of VRE Reserve Account compliance. Currently, § 95852(b)(3)(D) requires the outright retirement of RECs pursuant to guidance in the MRR, a stipulation that decreases the liquidity of the renewable energy markets in California. REC ownership is the critical component in a functioning renewable energy market. Although retirement assists in the validation of environmental claims, REC ownership satisfies ARB’s compliance obligations. Further, outright retirement limits renewable energy trading, overall VRE Reserve Account participation, and possibly the effectiveness of the voluntary program itself. Again, REMA recommends that ARB revise the language in § 95852(b)(3)(D) require ownership of the REC rather than retirement.

### ***III. Incorporation of a 15-year rolling window for VRE Reserve Account-eligible renewable energy generators***

Earlier in our comments, REMA noted the improvement to § 95841.1’s online date for eligible renewable energy generation. The proposed online date of July 1, 2005 is more inclusive of existing renewable generation than previous iterations of the regulation, but a revised 15-year rolling window would accomplish two goals that the July 1, 2005 date would not. First, it would encourage additional Californian voluntary market participants through broader availability of credible, national renewable energy products from existing renewable energy producers. Voluntary green power sales provide generators an important source of revenue, and the 2005 date would reduce green power products available. Second, the 15-year rolling window would deter Californian utilities from looking towards out-of-state renewable energy generators to meet increased green power demand. Many state utilities offer their customers green power products, and efforts to bolster voluntary demand through the VRE’s Reserve Account should support existing Californian green power generation.

Two renewable energy industry leaders, the Environmental Protection Agency’s (EPA) Green Power Partnership Support (GPP) and the Center for Resource Solutions (CRS) support the 15-year rolling window online date. REMA encourages that ARB consider this revision in the additional round of public input.

### **Concluding Remarks**

Again, REMA thanks ARB for taking these comments under consideration and continuing to improve the functionality and scope of the VRE Reserve Account. These improvements will allow ARB to responsibly address climate change concerns while simultaneously encouraging meaningful purchases of renewable energy that allow individuals and businesses to go above and beyond statutory obligations.

For additional questions or clarification on REMA's recommendations, please contact Joseph Seymour, REMA Policy and Governmental Affairs Coordinator, at [jseymour@ttcorp.com](mailto:jseymour@ttcorp.com).

Sincerely,

A handwritten signature in black ink, appearing to read "Josh Lieberman". The signature is fluid and cursive, with the first name "Josh" being more prominent than the last name "Lieberman".

Josh Lieberman  
REMA General Manager  
202-457-0868, x322  
[jlieberman@ttcorp.com](mailto:jlieberman@ttcorp.com)